

Village of Middleville
Barry County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended December 31, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Village of Middleville's (the Village) financial performance provides a narrative overview of the Village's financial activities for the fiscal year ended December 31, 2007. The Governmental Accounting Standards Board's (GASB) Statement No. 34 requires management to prepare a straightforward Management Discussion and Analysis (MD&A) of their local government's financial health during the past year. The reader should use this analysis along with the annual report to gain a complete picture of the Village of Middleville for 2007.

FINANCIAL HIGHLIGHTS

- Net assets is the amount by which the Village's assets exceeded its liabilities. Net assets totaled \$8,721,838 at December 31, 2007. The unrestricted portion of this amount, \$1,446,997 (17 percent), is available to be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's total net assets increased by \$41,412 (1 percent) as a result of this year's activities. Net assets of the governmental activities decreased by \$89,667 and net assets of the business-type activities increased 131,079.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was a deficit of \$145,490.
- *Major Street Fund and Local Street Fund*
The Major Street Fund has a fund deficit as of December 31, 2007, in the amount of \$331,587. The Local Street Fund has a fund deficit as of December 31, 2007, in the amount of \$104,485.
- *Governmental activities*
The Village continued property tax rate responsibility by reducing its operating millage from 12.7848 to 11.0. The Village has earmarked 10 mills to the General Fund and 1 mill to the Major Street Fund in part to eliminate the Major Street fund deficit and to begin to provide additional funding for the major and local street capital infrastructure needs.
- *Business-type activities*
The Village's multi-year utility rate increase policy for commodity charges and connection fees keeps the utility fund revenues steady and avoids large increases all at once. The continued policy of new development paying for public water and sewer improvements allows the remaining resources to be used for repair and replacement of existing off-site infrastructure that serves these new developments.

Overview of the financial statements

The Village's annual financial report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents additional information. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village, reporting the Village's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide financial statements

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Village's net assets and how they have changed. Net assets (the difference between the Village's assets and liabilities) are one way to measure the Village's financial health, or position.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village, you need to consider additional nonfinancial factors such as changes in the Village's property tax base and the condition of the Village's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as police protection and general government. Property taxes and state shared revenue finance most of these activities.

Government-wide financial statements (Continued)

- *Business-type activities* - The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer and water systems are reported here.
- *Component units* - The Village includes two other entities in its report - the Downtown Development Authority and the Local Development Finance Authority. Although legally separate, these "component units" are important because the Village is financially accountable for them.

Fund financial statements

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The Village Council establishes other funds to control and manage money for particular purposes (like street maintenance) to show that it is properly using certain revenues (like state grants collected for the street funds).

The Village has two kinds of funds:

- **Governmental funds.** Most of the Village's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

The General Fund is the most diverse governmental fund. The General Fund accounts for general administration, accounting, planning and zoning, parks and recreation, sidewalks, and other general government activities. Law enforcement is also accounted for in this fund.

The Major (5.5 miles) and Local (10.09 miles) street funds account for improvements to and preservation of the 15.59 miles of streets in the Village. It should be noted that due to the significant amount of street improvements occurring presently and anticipated in the future, additional revenue transfers of millage allocation will need to occur.

The Drug Enforcement Law Fund accounts for the seizure of illegal drug monies, which are restricted. They can only be used for drug enforcement purposes. The Drug Enforcement Law Fund is a nonmajor fund.

- **Proprietary funds.** Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Village's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.

The Sewer Fund records revenues from charges to the sewer customers and receipts in the form of connection fees made by developers that all pay for the maintenance of the sewer system and wastewater treatment plant. Middleville is very flat and needs to use several lift stations to move wastewater to the treatment plant.

The Water Fund records revenues from charges to the water customers and receipts from developers in the form of connection fees to pay for the maintenance of the water system, wells, a tower, and two booster stations.

The Village uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the Village's other programs and activities. The Village's internal service fund is its Motor Vehicle Equipment Fund. This fund rents a fleet of equipment to all the other funds at rates established by the state.

Component units

The Downtown Development Authority and the Local Development Finance Authority, although legally separate, are included in the Village's financial report because the Village is financially accountable for them.

The Local Development Finance Authority (LDFA) was created by the Village to capture property taxes from certain taxing units from a specific district within the Village to finance public improvements to that district. This entity has completed most of its plan by renovating the streets that serve its district.

The Downtown Development Authority (DDA) was also created by the Village to capture property taxes from certain taxing units from a specific district within the Village to finance public improvements to that district.

Village of Middleville
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$8,721,838 compared to \$8,680,426 at the end of the prior year. Of this total, \$5,565,388 is invested in capital assets and \$909,020 is restricted for various purposes. Consequently, unrestricted net assets were \$1,446,997, or 17 percent of the total.

Condensed financial information
Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Other assets	\$ (3,401)	\$ 618,567	\$2,548,406	\$2,844,327	\$2,545,005	\$3,462,894
Capital assets	<u>2,620,774</u>	<u>2,083,983</u>	<u>7,031,594</u>	<u>6,563,236</u>	<u>9,652,368</u>	<u>8,647,219</u>
Total assets	<u>2,617,373</u>	<u>2,702,550</u>	<u>9,580,000</u>	<u>9,407,563</u>	<u>12,197,373</u>	<u>12,110,113</u>
Current liabilities	<u>81,361</u>	<u>76,871</u>	<u>64,174</u>	<u>220,290</u>	<u>145,535</u>	<u>297,161</u>
Long-term debt	<u>-</u>	<u>-</u>	<u>3,330,000</u>	<u>3,132,526</u>	<u>3,330,000</u>	<u>3,132,526</u>
Total liabilities	<u>81,361</u>	<u>76,871</u>	<u>3,394,174</u>	<u>3,352,816</u>	<u>3,475,535</u>	<u>3,429,687</u>
Net assets:						
Invested in capital assets, net of related debt	<u>2,620,774</u>	<u>2,083,983</u>	<u>3,745,047</u>	<u>3,481,405</u>	<u>6,365,821</u>	<u>5,565,388</u>
Restricted	<u>15,497</u>	<u>158,247</u>	<u>893,523</u>	<u>1,183,445</u>	<u>909,020</u>	<u>1,341,692</u>
Unrestricted (deficit)	<u>(100,259)</u>	<u>383,449</u>	<u>1,547,256</u>	<u>1,389,897</u>	<u>1,446,997</u>	<u>1,773,346</u>
Total net assets	<u>\$2,536,012</u>	<u>\$2,625,679</u>	<u>\$6,185,826</u>	<u>\$6,054,747</u>	<u>\$8,721,838</u>	<u>\$8,680,426</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in net assets. The Village's total revenues for 2007 were \$2,336,495. More than 33 percent of the Village's revenues come from property taxes and approximately 26 percent comes from public utility fees.

The total cost of all the Village's programs for 2007, covering a wide range of services, totaled \$2,295,083. Nearly 35 percent of the Village's costs relate to the provision of utility services. Governmental public works costs represent approximately 27 percent of all costs while general government costs account for 19 percent of the total costs.

Condensed financial information
Changes in Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program revenues:						
Charges for services	\$ 62,830	\$ 9,833	\$ 603,954	\$ 587,527	\$ 666,784	\$ 597,360
Operating grants and contributions	195,187	243,433	-	-	195,187	243,433
Capital grants and contributions	90,000	620,168	250,382	431,769	340,382	1,051,937
General revenues:						
Property taxes	779,586	748,277	-	-	779,586	748,277
State shared revenue	235,748	237,469	-	-	235,748	237,469
Other	40,062	30,696	78,746	97,078	118,808	127,774
Total revenues	1,403,413	1,889,876	933,082	1,116,374	2,336,495	3,006,250
Expenses:						
Legislative	20,265	20,164	-	-	20,265	20,164
General government	432,027	455,827	-	-	432,027	455,827
Public safety	261,029	244,533	-	-	261,029	244,533
Public works	622,328	623,055	-	-	622,328	623,055
Community and economic development	82,726	90,172	-	-	82,726	90,172
Culture and recreation	74,705	50,107	-	-	74,705	50,107
Sewer	-	-	513,650	513,586	513,650	513,586
Water	-	-	288,353	214,880	288,353	214,880
Total expenses	1,493,080	1,483,858	802,003	728,466	2,295,083	2,212,324
Increase (decrease) in net assets	\$ (89,667)	\$ 406,018	\$ 131,079	\$ 387,908	\$ 41,412	\$ 793,926

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental activities. Governmental activities decreased the Village's net assets by \$89,667 in 2007, compared to an increase of \$406,018 in 2006. The decrease can be explained by the aggressive street rebuilding program.

The following table shows the costs of the Village's three largest programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the Village's taxpayers by each of these functions.

The total cost of all governmental activities was \$1,493,080.

However, the amount that our taxpayers paid for these activities through general revenues was \$1,145,063. Some of the cost was paid by:

- Those who directly benefited from the programs (\$62,830), or
- Other governments that subsidized certain programs with grants and contributions (\$285,187).

The Village paid for the \$1,145,063 "public benefit" portion with \$779,586 in property taxes and with other general revenues, such as state shared revenue and interest income.

	<i>Total cost of services</i>	<i>Net cost of services</i>
Public works	\$ 622,328	\$ 346,545
General government	432,027	416,653
Public safety	261,029	259,829
Other	<u>177,696</u>	<u>122,036</u>
Total	<u>\$ 1,493,080</u>	<u>\$ 1,145,063</u>

Business-type activities. Business-type activities increased the Village's net assets by \$131,079. The Water fund generated an increase (\$197,077) in net assets primarily due to the receipt of state grants to finance infrastructure projects (\$34,753) and the transfer of residual bond proceeds from the Sewer fund (\$160,012) in 2007. However, the Water Fund and the Sewer Fund experienced operating losses of \$17,903 and \$68,715, respectively. The losses can be explained by the fact that billing rates are not set to cover the full cost of operations, including depreciation.

Component unit activities

- DDA - This entity is self-funded by the use of captured tax revenues in accordance with state law and once capital improvements are made, they become assets of the Village. The DDA has sufficient funds to sponsor downtown events and spend brick and mortar dollars to spur investment in the District.
- LDFA - This entity is self-funded by the use of captured tax revenues in accordance with state law and once capital improvements are made they become assets of the Village. The growth at Metaldyne will bring in additional captured taxes to finance future projects.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental funds. As of December 31, 2007, the Village's governmental funds reported total fund deficits of \$368,842, a decrease of \$603,795 compared to last year's balances. The General Fund experienced a decrease in fund balance of \$331,699 primarily due to Tax Tribunal refunds of \$74,437, capital outlay expenditures of \$135,041, and a \$100,000 transfer to the Local Street Fund in support of street preservation and maintenance costs. In addition, these other changes in fund balances should be noted:

- The fund balance of the Major Street Fund decreased by \$23,624, due to current street project costs, leaving a deficit fund balance of \$331,587.
- The fund balance of the Local Street Fund decreased by \$249,042 due to current street project costs, leaving a deficit fund balance of \$104,485.

The General Fund is the chief operating fund of the Village. At the end of the fiscal year, unreserved fund balance was a deficit of \$145,490. Property taxes compose 69% of the General Fund revenues, while state shared revenues compose 23%.

Proprietary funds. The Water Fund operating revenues did not cover operating expenses in 2007. The total assets of the fund are \$3,192,292 of which cash is \$306,325. The total liabilities are \$1,248,180 leaving net assets of \$1,944,112. The Water Fund made substantial system improvements in 2007. These improvements were financed by debt and require a rate increase. Continued growth brings in connection fees that increase the available cash to offset some of the future capital needs for the system improvements.

The Sewer Fund operating revenues did not cover operating expenses in 2007. The total assets of this fund are \$6,387,708 primarily reflected in its treatment facility. The total liabilities of the Sewer Fund are \$2,145,994, which is primarily the debt to be paid off, leaving net assets of \$4,241,714. The current debt charge to the customers of the system is insufficient to pay the annual debt service costs and is supplemented by developer connection fees. Continued repair/replacement of the underground system creating capacity forestalls the need to expand the treatment facility, which is designed to have "cells" added to it instead of building a whole new plant.

Internal Service The Motor Vehicle Equipment Fund (MVEF) pays for its annual operational expenses by rates charged to other funds for the use of its assets. The Village has recently compiled a Capital Improvement Plan (CIP) so that major purchases can be scheduled over time.

Village of Middleville
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

General Fund budgetary highlights

The difference between the original budget and the final amended budget for expenditures was an increase of \$241,299, primarily due to public works and capital outlay expenditures not included in the original budget. Actual revenues were \$197,429 less than the total amount budgeted because budgeted property tax revenues were overstated. Actual expenditures were \$27,632 more than the total budgeted expenditures due to unanticipated tax tribunal refunds, in the amount of \$74,437.

Capital assets and debt administration

Capital assets

The Village's investment in capital assets for its governmental and business-type activities as of December 31, 2007, amounts to \$9,652,368 (net of accumulated depreciation). This investment includes a broad range of assets including land, equipment, buildings, and sewer and water facilities. The increase in the Village's net investment in capital assets for the current fiscal year was \$1,005,149, or approximately 12% percent.

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Infrastructure	\$ 1,762,218	\$ 6,752,410	\$ 8,514,628
Buildings and improvements	466,857	-	466,857
Equipment	225,328	136,035	361,363
Land	<u>166,371</u>	<u>143,149</u>	<u>309,520</u>
Total	<u>\$ 2,620,774</u>	<u>\$ 7,031,594</u>	<u>\$ 9,652,368</u>

Major capital asset events during the current fiscal year included the following:

- 2007 Street Improvement Projects: sewer system additions amounted to \$99,592, water system additions were \$541,757.

More detailed information about the Village's capital assets is presented in Note 5 of the basic financial statements.

Village of Middleville
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital assets and debt administration (Continued)

Debt administration

At the end of the fiscal year, the Village had total long-term liabilities outstanding in the amount of \$3,330,000, which represents a net increase of \$197,474 or 6 percent. All debt is backed by the full faith and credit of the Village and is financed by specific user fees.

During the year ended December 31, 2007, the Village decreased its long-term liabilities through the payment of principal totaling \$235,000. All scheduled debt payments were made in a timely manner in 2007. The Village also issued new debt in the amount of \$432,474 to finance water construction projects.

State statutes limit the amount of general obligation debt the Village can issue to 10 percent of its total state equalized assessed value of property. The Village's total debt (\$3,330,000) is significantly lower than the current state-imposed limit of \$9,911,541.

More detailed information about the Village's long-term liabilities is presented in Note 9 of the basic financial statements.

Economic condition and outlook

Budget assumptions:

The Village considered many factors prior to adoption of the 2008 Annual Budget. All major funds except for the Major Street at a negative 12.4%, Local Street at 3.9%, Sewer Fund (WWTP) at 9.8% and Water Fund at 1.3% are balanced with undesignated and restricted reserves at the recommended minimum of 12% to 15% levels. The General Fund's budget, with expenditures of \$1,288,374, is based upon the same millage rate as last year of 10 mills.

The Water Fund budget of \$627,789 and the Sewer Fund budget of \$1,151,279 are balanced based upon the rate structures that were adopted several years ago. A primary concern is that in order to finance the significant capital improvement program, a substantial transfer from the Sewer Fund is anticipated in the 2008 fiscal year. Specifically, the Sewer Fund's cash is expected to decrease from \$1,675,972 in 2006 to approximately \$131,000 at the end of 2008. The Water Fund's cash is expected to decrease from \$324,676 to \$8,142 over the same time period. Upon completion of the Water Reliability Study, a rate study should be completed for both the water and sewer funds. Also, consideration may be given to combine the two (2) funds into a Public Utility Fund. The Village will need to prioritize and possibly consider deferment of several capital intensive projects until the economy and local growth catch up with the identified capital needs. Another alternative will be the issuance of debt.

Significant Budget Considerations:

In recognition of the State of Michigan's early financial indicators, we have estimated a total of \$225,000 in state shared revenues to be received during 2008. Along with the possible 2008 economic condition factors of the State and the Village of Middleville, it is worth recognizing that the economy is experiencing a slightly unpredictable trend and gas prices have reached new highs. The positive impact of the Michigan Business Tax (MBT) upon the State's economy is still undetermined. The 2008 Annual Budget assumes a moderate increase in property tax growth. Specifically, we have projected a revenue increase of \$10,000, based upon a CPI increase of 2.3% and mild growth. The projection is reasonable recognizing that the final taxable value will not be determined until after the March Board of Review.

Economic condition and outlook (Continued)

In an effort to stabilize the General Fund, we have distributed throughout the major funds the benefit costs of those employees whose time is charged to the respective funds and other miscellaneous costs that can be charged to the various funds. Also, we have included a new transfer out of the Sewer Fund, a business-type activity, to the General Fund commonly referred to as a fee in lieu of tax. Due to the substantial improvements contemplated within the Water Fund, a transfer out of the Water Fund has been deferred.

The process of developing a six (6) year Capital Improvement Program has begun. The Capital Improvement sheets included within the budget document identify projects contemplated during the 2008 Annual Budget as well as several traditional capital improvements projected out during future budget years.

Contacting the Village's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

George Strand, Village Manager
Village of Middleville
100 East Main Street
Middleville, Michigan 49333-0069

Phone: (269) 795-3385

INDEPENDENT AUDITORS' REPORT

Village Council
Village of Middleville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the Village of Middleville, Michigan, as of December 31, 2007, and for the year then ended, which collectively comprise the Village of Middleville, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Village of Middleville, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the Village of Middleville, Michigan, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison schedules, and the schedule of funding progress of the employee retirement system, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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Village Council
Village of Middleville, Michigan
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Middleville, Michigan's basic financial statements. The accompanying supplementary data, as listed in the contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is stated fairly in all material respects in relation to the basic financial statements taken as a whole.

Ligfried Crandall P.C.

June 11, 2008

BASIC FINANCIAL STATEMENTS

Village of Middleville
STATEMENT OF NET ASSETS
December 31, 2007

	<i>Primary government</i>		
	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
ASSETS			
Current assets:			
Cash	\$ 457,359	\$ 542,407	\$ 999,766
Receivables	226,024	238,983	465,007
Internal balances	(884,007)	884,007	-
Advance to component unit	28,182	-	28,182
Total current assets	(172,442)	1,665,397	1,492,955
Noncurrent assets:			
Cash - restricted	-	649,556	649,556
Receivables	-	190,000	190,000
Advance to component unit	169,041	-	169,041
Capital assets not being depreciated	166,371	143,149	309,520
Capital assets, net of depreciation	2,454,403	6,888,445	9,342,848
Deferred charges, net	-	43,453	43,453
Total noncurrent assets	2,789,815	7,914,603	10,704,418
Total assets	2,617,373	9,580,000	12,197,373
LIABILITIES			
Current liabilities:			
Payables	81,361	64,174	145,535
Advance from primary government	-	-	-
Notes payable	-	270,000	270,000
Total current liabilities	81,361	334,174	415,535
Noncurrent liabilities:			
Advance from primary government	-	-	-
Notes payable	-	3,060,000	3,060,000
Total noncurrent liabilities	-	3,060,000	3,060,000
Total liabilities	81,361	3,394,174	3,475,535
NET ASSETS			
Invested in capital assets, net of related debt	2,620,774	3,745,047	6,365,821
Restricted:			
Public safety	14,260	-	14,260
Debt service	-	888,780	888,780
Capital projects	1,237	4,743	5,980
Unrestricted (deficit)	(100,259)	1,547,256	1,446,997
Total net assets	\$ 2,536,012	\$ 6,185,826	\$ 8,721,838

<u>Component units</u>	
<u>Local Development Finance Authority</u>	<u>Downtown Development Authority</u>
\$ 420,033	\$ 126,866
-	-
-	-
-	-
<u>420,033</u>	<u>126,866</u>
-	-
-	-
-	-
-	-
-	-
<u>-</u>	<u>-</u>
<u>420,033</u>	<u>126,866</u>
-	-
-	-
-	28,182
<u>-</u>	<u>-</u>
<u>-</u>	<u>28,182</u>
-	169,041
<u>-</u>	<u>-</u>
<u>-</u>	<u>169,041</u>
<u>-</u>	<u>197,223</u>
-	-
-	-
-	-
-	-
<u>420,033</u>	<u>(70,357)</u>
<u>\$ 420,033</u>	<u>\$ (70,357)</u>

See notes to the financial statements

Village of Middleville
STATEMENT OF ACTIVITIES
Year ended December 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 20,265	\$ -	\$ -	\$ -
General government	432,027	15,374	-	-
Public safety	261,029	1,200	-	-
Public works	622,328	786	184,997	90,000
Community and economic development	82,726	32,870	10,190	-
Culture and recreation	74,705	12,600	-	-
Total governmental activities	<u>1,493,080</u>	<u>62,830</u>	<u>195,187</u>	<u>90,000</u>
Business-type activities:				
Sewer	513,650	354,160	-	177,169
Water	288,353	249,794	-	73,213
Total business-type activities	<u>802,003</u>	<u>603,954</u>	<u>-</u>	<u>250,382</u>
Total primary government	<u>\$ 2,295,083</u>	<u>\$ 666,784</u>	<u>\$ 195,187</u>	<u>\$ 340,382</u>
Component units:				
Local Development Finance Authority	\$ 1,997	\$ -	\$ -	\$ -
Downtown Development Authority	61,745	773	-	-
Total component units	<u>\$ 63,742</u>	<u>\$ 773</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes
State shared revenue
Unrestricted interest earnings
Miscellaneous

Total general revenues

Change in net assets

Net assets (deficit) - beginning

Net assets (deficit) - ending

Net (expenses) revenues and changes in net assets				
Primary government			Component units	
Governmental activities	Business-type activities	Totals	Local Development Finance Authority	Downtown Development Authority
\$ (20,265)		\$ (20,265)		
(416,653)		(416,653)		
(259,829)		(259,829)		
(346,545)		(346,545)		
(39,666)		(39,666)		
(62,105)		(62,105)		
<u>(1,145,063)</u>		<u>(1,145,063)</u>		
	\$ 17,679	17,679		
	<u>34,654</u>	<u>34,654</u>		
	<u>52,333</u>	<u>52,333</u>		
<u>(1,145,063)</u>	<u>52,333</u>	<u>(1,092,730)</u>		
			\$ (1,997)	\$ -
			<u>-</u>	<u>(60,972)</u>
			<u>(1,997)</u>	<u>(60,972)</u>
779,586	-	779,586	271,682	118,858
235,748	-	235,748	-	-
32,598	78,746	111,344	9,868	4,682
<u>7,464</u>	<u>-</u>	<u>7,464</u>	<u>-</u>	<u>2,870</u>
<u>1,055,396</u>	<u>78,746</u>	<u>1,134,142</u>	<u>281,550</u>	<u>126,410</u>
(89,667)	131,079	41,412	279,553	65,438
<u>2,625,679</u>	<u>6,054,747</u>	<u>8,680,426</u>	<u>140,480</u>	<u>(135,795)</u>
<u>\$ 2,536,012</u>	<u>\$ 6,185,826</u>	<u>\$ 8,721,838</u>	<u>\$ 420,033</u>	<u>\$ (70,357)</u>

See notes to the financial statements

Village of Middleville
BALANCE SHEET - governmental funds
December 31, 2007

	Major funds		
	General	Major Street	Local Street
ASSETS			
Cash	\$ 1,487	\$ -	\$ 154,374
Receivables	189,318	28,971	7,735
Long-term advance to component unit	197,223	-	-
Total assets	\$ 388,028	\$ 28,971	\$ 162,109
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 57,447	\$ 19,187	\$ 1,569
Due to other funds	277,611	341,371	265,025
Total liabilities	335,058	360,558	266,594
Fund balances (deficit):			
Reserved for:			
Long-term advance	197,223	-	-
Buy a brick campaign	1,237	-	-
Unreserved, undesignated	(145,490)	(331,587)	(104,485)
Unreserved, undesignated reported in nonmajor - special revenue funds	-	-	-
Total fund balances (deficit)	52,970	(331,587)	(104,485)
Total liabilities and fund balances	\$ 388,028	\$ 28,971	\$ 162,109

Amounts reported for *governmental activities* in the statement of net assets are different because:

Total fund balances - all governmental funds

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

An internal service fund is used by management to charge costs of equipment to individual funds. The assets and liabilities of the internal service fund are included in *governmental activities* in the statement of net assets.

Net assets of *governmental activities* (page 5)

<i>Nonmajor governmental fund</i>	<i>Total governmental funds</i>
\$ 14,260	\$ 170,121
-	226,024
-	197,223
<u>\$ 14,260</u>	<u>\$ 593,368</u>
\$ -	\$ 78,203
-	884,007
-	962,210
-	197,223
-	1,237
-	(581,562)
<u>14,260</u>	<u>14,260</u>
<u>14,260</u>	<u>(368,842)</u>
<u>\$ 14,260</u>	<u>\$ 593,368</u>
	\$ (368,842)
	2,201,313
	703,541
	<u>\$ 2,536,012</u>

See notes to the financial statements

Village of Middleville**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds***Year ended December 31, 2007*

	Major funds		
	General	Major Street	Local Street
REVENUES			
Property taxes	\$ 718,875	\$ 70,390	\$ -
State grants	245,938	224,081	50,916
Charges for services	45,470	786	-
Licenses and permits	1,200	-	-
Interest and rentals	16,291	-	3,236
Other	13,159	-	-
Total revenues	<u>1,040,933</u>	<u>295,257</u>	<u>54,152</u>
EXPENDITURES			
Legislative	20,265	-	-
General government	433,577	-	-
Public safety	260,738	-	-
Public works	268,512	318,881	403,194
Community and economic development	82,726	-	-
Recreation and culture	71,773	-	-
Capital outlay	135,041	-	-
Total expenditures	<u>1,272,632</u>	<u>318,881</u>	<u>403,194</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(231,699)</u>	<u>(23,624)</u>	<u>(349,042)</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	100,000
Transfer out	(100,000)	-	-
Total other financing sources (uses)	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>
NET CHANGE IN FUND BALANCES	<u>(331,699)</u>	<u>(23,624)</u>	<u>(249,042)</u>
FUND BALANCES (DEFICIT) - BEGINNING	<u>384,669</u>	<u>(307,963)</u>	<u>144,557</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ 52,970</u>	<u>\$ (331,587)</u>	<u>\$ (104,485)</u>

<i>Nonmajor governmental fund</i>	<i>Total governmental funds</i>
\$ -	\$ 789,265
-	520,935
-	46,256
-	1,200
570	20,097
-	13,159
<u>570</u>	<u>1,390,912</u>
-	20,265
-	433,577
-	260,738
-	990,587
-	82,726
-	71,773
-	135,041
<u>-</u>	<u>1,994,707</u>
<u>570</u>	<u>(603,795)</u>
-	100,000
<u>-</u>	<u>(100,000)</u>
<u>-</u>	<u>-</u>
570	(603,795)
<u>13,690</u>	<u>234,953</u>
<u>\$ 14,260</u>	<u>\$ (368,842)</u>

See notes to the financial statements

Village of Middleville

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - *governmental funds* (Continued)**

Year ended December 31, 2007

Reconciliation of the statement of revenues, expenditures, and changes
in fund balances to the statement of activities:

Net change in fund balances - total governmental funds (page 8) \$ (603,795)

Amounts reported for *governmental activities* in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However,
in the statements of activities the costs of those assets are allocated
over their estimated useful lives as depreciation expense.

Assets acquired	520,289
Provision for depreciation	(50,956)

The net revenue of the internal service fund is reported with <i>governmental activities</i> .	<u>44,795</u>
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Change in net assets of <i>governmental activities</i> (page 6)	<u>\$ (89,667)</u>
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See notes to the financial statements

Village of Middletown
STATEMENT OF NET ASSETS - proprietary funds
December 31, 2007

	Business-type activities		
	Enterprise funds		
	Sewer	Water	Totals
ASSETS			
Current assets:			
Cash	\$ 240,825	\$ 301,582	\$ 542,407
Receivables	183,773	55,210	238,983
Due from other funds	884,007	-	884,007
Total current assets	<u>1,308,605</u>	<u>356,792</u>	<u>1,665,397</u>
Noncurrent assets:			
Cash - restricted	644,813	4,743	649,556
Receivables	190,000	-	190,000
Capital assets not being depreciated	33,780	109,369	143,149
Capital assets, net of depreciation	4,167,057	2,721,388	6,888,445
Deferred charges, net of amortization	43,453	-	43,453
Total noncurrent assets	<u>5,079,103</u>	<u>2,835,500</u>	<u>7,914,603</u>
Total assets	<u>6,387,708</u>	<u>3,192,292</u>	<u>9,580,000</u>
LIABILITIES			
Current liabilities:			
Payables	50,994	13,180	64,174
Notes payable	220,000	50,000	270,000
Total current liabilities	270,994	63,180	334,174
Noncurrent liabilities - notes payable	<u>1,875,000</u>	<u>1,185,000</u>	<u>3,060,000</u>
Total liabilities	<u>2,145,994</u>	<u>1,248,180</u>	<u>3,394,174</u>
NET ASSETS			
Investment in capital assets, net of related debt	2,149,290	1,595,757	3,745,047
Restricted for:			
Debt service	888,780	-	888,780
Capital projects	-	4,743	4,743
Unrestricted	<u>1,203,644</u>	<u>343,612</u>	<u>1,547,256</u>
Total net assets	<u>\$ 4,241,714</u>	<u>\$ 1,944,112</u>	<u>\$ 6,185,826</u>

**Governmental
activities**

**Internal
service**

\$ 287,238

-

-

287,238

-

-

-

419,461

-

419,461

706,699

3,158

-

3,158

-

3,158

419,461

-

-

284,080

\$ 703,541

See notes to the financial statements

Village of Middleville

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN

NET ASSETS - *proprietary funds*

Year ended December 31, 2007

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
OPERATING REVENUES				
Charges for services:				
Utility charges	\$ 354,160	\$ 249,794	\$ 603,954	\$ -
Equipment rental	-	-	-	148,448
Total operating revenues	<u>354,160</u>	<u>249,794</u>	<u>603,954</u>	<u>148,448</u>
OPERATING EXPENSES				
Personnel costs	36,434	72,990	109,424	28,390
Contracted services	206,302	43,933	250,235	75
Supplies	3,443	13,008	16,451	19,722
Utilities	33,073	38,163	71,236	4,494
Internal charges	17,757	26,771	44,528	-
Miscellaneous	12,160	13,547	25,707	27,930
Depreciation	113,706	59,285	172,991	35,543
Total operating expenses	<u>422,875</u>	<u>267,697</u>	<u>690,572</u>	<u>116,154</u>
Operating income (loss)	<u>(68,715)</u>	<u>(17,903)</u>	<u>(86,618)</u>	<u>32,294</u>
NONOPERATING REVENUES (EXPENSES)				
Debt retirement charges	169,763	37,541	207,304	-
Connection fees	-	919	919	-
Special assessment interest	6,122	-	6,122	-
State grants	1,284	34,753	36,037	-
Interest revenue	76,335	2,411	78,746	12,501
Interest expense	(90,775)	(20,656)	(111,431)	-
Total nonoperating revenues	<u>162,729</u>	<u>54,968</u>	<u>217,697</u>	<u>12,501</u>
Income before transfers	<u>94,014</u>	<u>37,065</u>	<u>131,079</u>	<u>44,795</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	160,012	160,012	-
Transfer out	(160,012)	-	(160,012)	-
Total other financing sources (uses)	<u>(160,012)</u>	<u>160,012</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(65,998)</u>	<u>197,077</u>	<u>131,079</u>	<u>44,795</u>
NET ASSETS - BEGINNING	<u>4,307,712</u>	<u>1,747,035</u>	<u>6,054,747</u>	<u>658,746</u>
NET ASSETS - ENDING	<u>\$ 4,241,714</u>	<u>\$ 1,944,112</u>	<u>\$ 6,185,826</u>	<u>\$ 703,541</u>

See notes to the financial statements

Village of Middleville
STATEMENT OF CASH FLOWS - proprietary funds
Year ended December 31, 2007

	Business-type activities		
	Enterprise funds		
	Sewer	Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 392,506	\$ 255,614	\$ 648,120
Payments to vendors and suppliers	(248,647)	(121,825)	(370,472)
Payments to employees	(36,434)	(72,990)	(109,424)
Internal activity - payments to other funds	(17,757)	(26,771)	(44,528)
Net cash provided by operating activities	<u>89,668</u>	<u>34,028</u>	<u>123,696</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	(160,012)	160,012	-
Increase in due from other funds	(576,924)	-	(576,924)
Net cash provided by (used in) noncapital financing activities	<u>(736,936)</u>	<u>160,012</u>	<u>(576,924)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retirement charges	169,763	37,541	207,304
Connection fees	-	919	919
Special assessment principal collections	12,754	-	12,754
Special assessment interest	6,122	-	6,122
Proceeds from issuance of capital debt	-	432,474	432,474
State grants	1,284	34,753	36,037
Acquisition of capital assets	(99,592)	(541,757)	(641,349)
Decrease in payables	-	(148,076)	(148,076)
Principal payments on capital debt	(225,000)	(10,000)	(235,000)
Interest payments on capital debt	(84,732)	(20,656)	(105,388)
Net cash used in capital and related financing activities	<u>(219,401)</u>	<u>(214,802)</u>	<u>(434,203)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>76,335</u>	<u>2,411</u>	<u>78,746</u>
NET DECREASE IN CASH	<u>(790,334)</u>	<u>(18,351)</u>	<u>(808,685)</u>
CASH - BEGINNING (including \$909,360 in restricted accounts)	<u>1,675,972</u>	<u>324,676</u>	<u>2,000,648</u>
CASH - ENDING (including \$649,556 in restricted accounts)	<u>\$ 885,638</u>	<u>\$ 306,325</u>	<u>\$ 1,191,963</u>

**Governmental
activities**

**Internal
service**

\$ 148,448
(50,205)
(28,390)

-

69,853

-

-

-

-

-

-

-

-

-

(103,000)

-

-

-

(103,000)

12,501

(20,646)

307,884

\$ 287,238

See notes to the financial statements

Village of Middleville

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended December 31, 2007

	<i>Business-type activities</i>		
	<i>Enterprise funds</i>		
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (68,715)	\$ (17,903)	\$ (86,618)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	113,706	59,285	172,991
Decrease in receivables	38,346	5,820	44,166
Increase (decrease) in payables	6,331	(13,174)	(6,843)
Net cash provided by operating activities	\$ 89,668	\$ 34,028	\$ 123,696

***Governmental
activities***

***Internal
service***

\$ 32,294

35,543

-

2,016

\$ 69,853

See notes to the financial statements

Village of Middleville
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Middleville, Michigan (the Village), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

a) Reporting entity:

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely-presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the Village.

Discretely-presented component units:

Local Development Finance Authority and Downtown Development Authority

Each component units' governing body is appointed by the Village Council and their debt remains with the Village. Separate financial statements for the component units have not been issued as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of each component unit.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (Continued):

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for the use of motor fuel taxes, which are earmarked by state statute for major street repairs and improvements.

The Local Street Fund accounts for the use of motor fuel taxes, which are earmarked by state statute for local street repairs and improvements.

The Village reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Village's sewage collection systems and treatment plant.

The Water Fund accounts for the activities of the Village's water distribution and treatment system.

Additionally, the Village reports the following fund type:

The Motor Vehicle Equipment Fund, an internal service fund, accounts for the financing of services provided to other departments or agencies of the Village on a cost-reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector standards.

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash consists of cash on hand, demand deposits, and time deposits with original maturities of three months or less from the date of acquisition.

ii) Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Village considers all receivables to be fully collectible.

iii) Deferred charges - Certain payments in connection with obtaining long-term financing have been deferred and are being amortized over the life of the related debt using the straight-line method.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Village has elected to account for its infrastructure assets prospectively, beginning January 1, 2004.

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (Continued):

iv) Capital assets (continued) - Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 - 40 years
Buildings and improvements	20 - 40 years
Equipment	3 - 20 years
Sewage disposal system	50 - 70 years

v) Compensated absences - The employment policies for accumulation of earned, but unused, vacation and sick leave benefits are as follows:

Vacation time is earned in varying amounts depending upon years of service. Employees may accumulate and carry over a maximum of fifty percent of earned vacation as approved by the Village Manager. Upon termination, employees are not paid for unused vacation time.

Employees are granted six paid sick days per year. Unused sick time may be accumulated and added to the following year so that an employee may accumulate up to a maximum of twelve sick days. Upon termination, employees are not paid for unused sick time.

Compensated absence liabilities have not been recorded because these benefits are not vested.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Property tax revenue recognition - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before September 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Village. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Village levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Village's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

Excess of expenditures over appropriations in budgeted funds - The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Professional fees	\$ 74,200	\$ 84,298	\$ 10,098
		Tax tribunal refunds	-	74,437	74,437
	Public safety	Police protection	223,465	254,529	31,064
	Public works	Environmental control	40,451	42,802	2,351
Major Street	Public works	Winter maintenance	35,250	39,296	4,046

Compliance matter - The Village budgeted for a deficit in its Major and Local Street Funds, which is a violation of Public Act 2 of 1968.

NOTE 3 - CASH:

At December 31, 2007, cash is classified in the accompanying financial statements as follows:

Statement of net assets:	
Primary government:	
Cash	\$ 999,766
Restricted cash	649,556
Component units - cash	<u>546,899</u>
Total	<u>\$ 2,196,221</u>

At December 31, 2007, cash consists of the following:

Cash on hand	\$ 250
Deposits with financial institutions	<u>2,195,971</u>
Total	<u>\$ 2,196,221</u>

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Village's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Village will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. At December 31, 2007, \$1,778,536 of the Village's bank balances of \$2,278,536 was exposed to custodial credit risk because it was uninsured. The Village believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH (Continued):

The Village maintains a pooled cash account for all of its funds and its component units. Due to the use of the pooled deposit, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component units. The insured portion of the bank balance, \$100,000, has been allocated entirely to the primary government.

NOTE 4 - RECEIVABLES:

At December 31, 2007, the receivables of the Village's funds were as follows:

	<u>Accounts</u>	<u>Property taxes</u>	<u>Inter governmental</u>	<u>Special assessments</u>	<u>Totals</u>
Governmental activities:					
General Fund	\$ 4,634	\$ 91,572	\$ 93,112	\$ -	\$ 189,318
Major Street Fund	-	8,772	20,199	-	28,971
Local Street Fund	-	-	7,735	-	7,735
Total governmental activities	<u>\$ 4,634</u>	<u>\$ 100,344</u>	<u>\$ 121,046</u>	<u>\$ -</u>	<u>\$ 226,024</u>
Business-type activities:					
Sewer Fund	\$ 129,806	\$ -	\$ -	\$ 243,967	\$ 373,773
Water Fund	<u>55,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,210</u>
Total business-type activities	<u>\$ 185,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 243,967</u>	<u>\$ 428,983</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,000</u>	<u>\$ 190,000</u>

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 37,500</u>	<u>\$ 128,871</u>	<u>\$ -</u>	<u>\$ 166,371</u>
Capital assets being depreciated:				
Land improvements	44,918	-	-	44,918
Buildings	630,608	-	-	630,608
Furniture, fixtures, and equipment	226,180	71,170	-	297,350
Infrastructure	1,433,210	385,249	-	1,818,459
Vehicles	<u>262,485</u>	<u>38,000</u>	<u>-</u>	<u>300,485</u>
Subtotal	<u>2,597,401</u>	<u>494,419</u>	<u>-</u>	<u>3,091,820</u>

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities (continued):				
Less accumulated depreciation for:				
Land improvements	\$ (13,231)	\$ (2,246)	\$ -	\$ (15,477)
Buildings	(176,077)	(17,115)	-	(193,192)
Furniture, fixtures, and equipment	(89,925)	(17,294)	-	(107,219)
Infrastructure	(19,608)	(36,633)	-	(56,241)
Vehicles	(252,077)	(13,211)	-	(265,288)
Subtotal	(550,918)	(66,499)	-	(637,417)
Total capital assets being depreciated, net	2,046,483	580,917	-	2,454,403
Governmental activities capital assets, net	<u>\$ 2,083,983</u>	<u>\$ 709,788</u>	<u>\$ -</u>	<u>\$ 2,620,774</u>
Business-type activities:				
Capital assets not being depreciated :				
Land	\$ 143,149	\$ -	\$ -	\$ 143,149
Construction in progress	1,011,118	-	(1,011,118)	-
Total capital assets not being depreciated	1,154,267	-	(1,011,118)	143,149
Capital assets being depreciated:				
Sewer system	5,455,914	99,592	-	5,555,506
Water system	1,570,276	1,552,875	-	3,123,151
Equipment	368,785	-	-	368,785
Subtotal	7,394,975	1,652,467	-	9,047,442
Less accumulated depreciation for:				
Sewer system	(1,274,743)	(111,976)	-	(1,386,719)
Water system	(492,189)	(47,339)	-	(539,528)
Equipment	(219,074)	(13,676)	-	(232,750)
Subtotal	(1,986,006)	(172,991)	-	(2,158,997)
Total capital assets being depreciated, net	5,408,969	1,479,476	-	6,888,445
Business-type activities capital assets, net	<u>\$ 6,563,236</u>	<u>\$ 1,479,476</u>	<u>\$ (1,011,118)</u>	<u>\$ 7,031,594</u>

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activities as follows:

General government	\$ 11,100
Recreation and culture	2,932
Public safety	291
Public works	36,633
Depreciation on capital assets held by internal service fund	<u>35,543</u>
 Total governmental activities	 <u>\$ 86,499</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At December 31, 2007, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
Sewer	<u>\$ 884,007</u>	General	\$ 277,611
		Major Street	341,371
		Local Street	<u>265,025</u>
			<u>\$ 884,007</u>

The interfund balances represent temporary cash flow assistance provided by the Sewer Fund to the General Fund, Major Street Fund, and Local Street Fund.

The interfund transfers for the year ended December 31, 2007, were as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Local Street	<u>\$ 100,000</u>	General	<u>\$ 100,000</u>
Water	<u>\$ 160,012</u>	Sewer	<u>\$ 160,012</u>

The transfer to the Local Street Fund represents support for street preservation and repairs. The transfer to the Water Fund represents an allocation of residual bond proceeds.

NOTE 7 - ADVANCE TO COMPONENT UNIT:

The General Fund advanced \$330,000 to the Local Development Finance Authority, a component unit of the Village, to finance a portion of the cost of road reconstruction. The agreement between the two entities requires annual payments of \$28,182, plus interest at 6.5%, through 2014. The balance at December 31, 2007, is \$197,223.

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - PAYABLES:

At December 31, 2007, the payables of the Village's funds were as follows:

	<u>Accounts</u>	<u>Interest</u>	<u>Totals</u>
Governmental activities:			
General Fund	\$ 57,447	\$ -	\$ 57,447
Major Street Fund	19,187	-	19,187
Local Street Fund	1,569	-	1,569
Internal Service Fund	<u>3,158</u>	<u>-</u>	<u>3,158</u>
Total governmental activities	<u>\$ 81,361</u>	<u>\$ -</u>	<u>\$ 81,361</u>
Business-type activities:			
Sewer Fund	\$ 34,994	\$ 16,000	\$ 50,994
Water Fund	<u>6,580</u>	<u>6,600</u>	<u>13,180</u>
Total business-type activities	<u>\$ 41,574</u>	<u>\$ 22,600</u>	<u>\$ 64,174</u>

NOTE 9 - LONG-TERM LIABILITIES:

At December 31, 2007, long-term liabilities are comprised of the following individual issues:

Business-type activities:

Notes payable:

\$1,125,000 1999 Barry County contract payable - payable in annual installments ranging from \$50,000 to \$75,000, plus interest at 3.9% to 6.9%; final payment due October 2018	\$ 750,000
\$1,870,000 2003 Barry County contract payable - payable in annual installments ranging from \$35,000 to \$220,000, plus interest at 2.0% to 3.8%; final payment due November 2014	1,345,000
\$205,000 2006 Barry County contract payable - payable in annual installments ranging from \$10,000 to \$15,000, plus interest at 2.125%; final payment due April 2026	195,000
\$1,040,000 2007 Barry County contract payable - payable in annual installments ranging from \$40,000 to \$65,000, plus interest at 2.125%; final payment due April 2027	<u>1,040,000</u>
Total primary government long-term liabilities	<u>\$ 3,330,000</u>

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - LONG-TERM LIABILITIES (Continued):

Long-term liability activity for the year ended December 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Business-type activities:					
1989 Contract payable	\$ 800,000	\$ -	\$ (50,000)	\$ 750,000	\$ 50,000
2003 Contract payable	1,520,000	-	(175,000)	1,345,000	170,000
2006 Contract payable	205,000	-	(10,000)	195,000	10,000
2006 Contract payable	<u>607,526</u>	<u>432,474</u>	<u>-</u>	<u>1,040,000</u>	<u>40,000</u>
Total notes payable	<u>\$ 3,132,526</u>	<u>\$ 432,474</u>	<u>\$ (235,000)</u>	<u>\$ 3,330,000</u>	<u>\$ 270,000</u>

At December 31, 2007, debt service requirements were as follows:

<u>Year ended December 31:</u>	<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 270,000	\$ 104,966
2009	295,000	97,532
2010	290,000	89,078
2011	310,000	79,998
2012	335,000	69,420
2013 - 2017	1,085,000	185,766
2018 - 2022	395,000	61,398
2023 - 2027	<u>350,000</u>	<u>22,208</u>
	<u>\$ 3,330,000</u>	<u>\$ 710,366</u>

All debt is secured by the full faith and credit of the Village.

NOTE 10 - DEFINED BENEFIT PENSION PLAN:

Plan description:

The Village's defined benefit pension plan provides retirement benefits to qualified employees and their beneficiaries. The Village's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the Village. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

Village of Middleville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued):

Funding policy:

Contribution rates for each participating employer and its covered employees are established, and may be amended, by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are not required to contribute to the plan. Participating employers are required to contribute amounts necessary to finance the coverage of their employees through periodic contributions at actuarially-determined rates. Administrative costs of the plan are financed through investment earnings.

Annual pension cost:

For the year ended December 31, 2007, the Village's annual pension cost of \$15,022 for its defined benefit pension plan was equal to the required and actual contributions. Significant actuarial assumptions used included a) 8% investment rate of return, net of administrative expenses, b) projected salary increases of 4.5% per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized over a closed period of 30 years as a level percentage of payroll.

Three-year trend information:

For the years ended December 31, 2007, 2006, and 2005, the Village contributed \$15,022, \$11,656, and \$10,087 respectively to the plan.

NOTE 11 - CLAIMS ARISING FROM RISKS OF LOSS:

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village has joined together with other local governmental units in the state to form the Michigan Municipal League Insurance Pool (MML), a public entity risk pool currently operating as a common risk management and insurance program for local governmental units within the state. The Village pays an annual premium to MML for all of its insurance coverage's. MML is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$2,000,000 for each insured event.

NOTE 12 - ACCUMULATED DEFICITS:

The General Fund has an accumulated deficit unreserved fund balance of \$145,490. The deficit is the result of revenues inadequate to cover payment of Tax Tribunal refunds, capital outlays, and transfers to the Local Street Fund in 2007. The deficit is further due to the significant long-term advance of \$197,223 to the DDA as this asset is not considered a current financial resource. The deficit is expected to be eliminated through transfers from other funds in the subsequent year.

The Major Street Fund has an accumulated deficit in the amount of \$331,587. The deficit is the result of revenues inadequate to cover the costs of street projects in 2006. The deficit will be eliminated through the collection of a portion of the Village's tax levy in the future.

The Local Street Fund has an accumulated deficit in the amount of \$104,485. The deficit is the result of revenues inadequate to cover the costs of street projects in 2007. The deficit is expected to be eliminated through transfers from other funds in the subsequent year.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Middleville

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 862,425	\$ 876,281	\$ 718,875	\$ (157,406)
State grants	233,000	276,189	245,938	(30,251)
Charges for services	30,175	50,247	45,470	(4,777)
Licenses and permits	1,500	1,500	1,200	(300)
Interest and rentals	13,695	13,695	16,291	2,596
Other	63,075	20,450	13,159	(7,291)
Total revenues	<u>1,203,870</u>	<u>1,238,362</u>	<u>1,040,933</u>	<u>(197,429)</u>
EXPENDITURES				
Legislative	<u>20,159</u>	<u>20,409</u>	<u>20,265</u>	<u>144</u>
General government:				
Manager	74,636	94,542	94,843	(301)
Finance Director	40,718	40,718	36,513	4,205
Elections	3,408	3,408	1	3,407
Professional fees	87,000	74,200	84,298	(10,098)
Clerk	14,977	15,527	15,351	176
Treasurer	4,045	4,145	3,721	424
Building and grounds	13,000	31,450	24,488	6,962
Tax tribunal refunds	-	-	74,437	(74,437)
Nondepartmental	<u>144,282</u>	<u>105,978</u>	<u>99,925</u>	<u>6,053</u>
Total general government	<u>382,066</u>	<u>369,968</u>	<u>433,577</u>	<u>(63,609)</u>
Public safety:				
Police protection	219,425	223,465	254,529	(31,064)
Crossing guards	<u>9,550</u>	<u>9,550</u>	<u>6,209</u>	<u>3,341</u>
Total public safety	<u>228,975</u>	<u>233,015</u>	<u>260,738</u>	<u>(27,723)</u>
Public works:				
Public works department	91,235	129,778	128,673	1,105
Street lighting	33,500	33,500	32,517	983
Environmental control	38,698	40,451	42,802	(2,351)
Hydrant rental	-	46,750	46,750	-
Sidewalks	<u>32,261</u>	<u>36,461</u>	<u>17,770</u>	<u>18,691</u>
Total public works	<u>195,694</u>	<u>286,940</u>	<u>268,512</u>	<u>18,428</u>

Village of Middleville

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	<u>\$ 100,039</u>	<u>\$ 102,039</u>	<u>\$ 82,726</u>	<u>\$ 19,313</u>
Recreation and culture	<u>56,768</u>	<u>77,518</u>	<u>71,773</u>	<u>5,745</u>
Capital outlay	<u>20,000</u>	<u>155,111</u>	<u>135,041</u>	<u>20,070</u>
Total expenditures	<u>1,003,701</u>	<u>1,245,000</u>	<u>1,272,632</u>	<u>(27,632)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	200,169	(6,638)	(231,699)	(225,061)
OTHER FINANCING USES				
Transfers out	<u>(200,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	169	(106,638)	(331,699)	(225,061)
FUND BALANCES - BEGINNING	<u>384,669</u>	<u>384,669</u>	<u>384,669</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 384,838</u>	<u>\$ 278,031</u>	<u>\$ 52,970</u>	<u>\$ (225,061)</u>

Village of Middleville

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ -	\$ 95,835	\$ 70,390	\$ (25,445)
State grants:				
Michigan Transportation Fund	135,000	135,000	134,081	(919)
Michigan Economic Development Corp.	-	-	90,000	90,000
Charges for services	-	880	786	(94)
Interest	100	100	-	(100)
Total revenues	<u>135,100</u>	<u>231,815</u>	<u>295,257</u>	<u>63,442</u>
EXPENDITURES				
Public works:				
Preservation	122,001	320,000	228,626	91,374
Routine maintenance	41,347	35,776	33,732	2,044
Winter maintenance	29,750	35,250	39,296	(4,046)
Traffic services	11,192	21,192	17,227	3,965
Total expenditures	<u>204,290</u>	<u>412,218</u>	<u>318,881</u>	<u>93,337</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(69,190)	(180,403)	(23,624)	156,779
OTHER FINANCING SOURCES				
Transfer in	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	30,810	(180,403)	(23,624)	156,779
FUND BALANCES (DEFICIT) - BEGINNING	<u>(307,963)</u>	<u>(307,963)</u>	<u>(307,963)</u>	<u>-</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ (277,153)</u>	<u>\$ (488,366)</u>	<u>\$ (331,587)</u>	<u>\$ 156,779</u>

Village of Middletown

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 87,800	\$ -	\$ -	\$ -
State grant - Michigan Transportation Fund	48,500	48,500	50,916	2,416
Interest	1,000	4,000	3,236	764
Total revenues	<u>137,300</u>	<u>52,500</u>	<u>54,152</u>	<u>1,652</u>
EXPENDITURES				
Public works:				
Preservation	15,000	15,000	3,244	11,756
Routine maintenance	326,673	363,281	361,810	1,471
Winter maintenance	30,479	36,479	33,632	2,847
Traffic services	8,153	8,153	4,508	3,645
Total expenditures	<u>380,305</u>	<u>422,913</u>	<u>403,194</u>	<u>19,719</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(243,005)	(370,413)	(349,042)	21,371
OTHER FINANCING SOURCES				
Transfer in - General Fund	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(143,005)	(270,413)	(249,042)	21,371
FUND BALANCES - BEGINNING	<u>144,557</u>	<u>144,557</u>	<u>144,557</u>	<u>-</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ 1,552</u>	<u>\$ (125,856)</u>	<u>\$ (104,485)</u>	<u>\$ 21,371</u>

Village of Middleville

ANALYSIS OF FUNDING PROGRESS - Employee Retirement System

(Municipal Employees' Retirement System of Michigan)

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated.

Actuarial valuation date <u>December 31,</u>	Actuarial value of assets <u>(a)</u>	Actuarial accrued liability (AAL) entry age <u>(b)</u>	Funded ratio <u>(a)/(b)</u>	(Over- funded) AAL <u>(b-a)</u>	Covered payroll <u>(c)</u>	(Over- funded) AAL as a percentage of covered payroll <u>((b-a)/c)</u>
1997	449,493	353,041	127%	(96,452)	151,177	-64%
1998	499,700	436,073	115%	(63,627)	158,269	-40%
1999	568,258	379,920	150%	(188,338)	191,809	-98%
2000	616,154	510,260	121%	(105,894)	255,306	-41%
2001	651,394	578,113	113%	(73,281)	264,364	-28%
2002	663,155	607,675	109%	(55,480)	273,594	-20%
2003	705,803	643,480	110%	(62,323)	265,133	-24%
2004	742,540	675,163	110%	(67,377)	309,293	-22%
2005	793,419	736,086	108%	(57,333)	311,158	-18%
2006	865,482	806,364	107%	(59,118)	350,681	-17%

SUPPLEMENTARY DATA

Village of Middleville

SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$1,125,000 1999 BARRY COUNTY CONTRACT PAYABLE

December 31, 2007

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>April 1</i>	<i>October 1</i>			
2008	\$ 17,288	\$ 17,288	10/1/08	\$ 50,000	\$ 84,576
2009	16,225	16,225	10/1/09	50,000	82,450
2010	15,150	15,150	10/1/10	50,000	80,300
2011	14,062	14,062	10/1/11	75,000	103,124
2012	12,394	12,394	10/1/12	75,000	99,788
2013	10,687	10,687	10/1/13	75,000	96,374
2014	8,944	8,944	10/1/14	75,000	92,888
2015	7,181	7,181	10/1/15	75,000	89,362
2016	5,400	5,400	10/1/16	75,000	85,800
2017	3,600	3,600	10/1/17	75,000	82,200
2018	<u>1,800</u>	<u>1,800</u>	10/1/18	<u>75,000</u>	<u>78,600</u>
	<u>\$ 112,731</u>	<u>\$ 112,731</u>		<u>\$ 750,000</u>	<u>\$ 975,462</u>

Village of Middleville

SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$1,870,000 2003 BARRY COUNTY CONTRACT PAYABLE

December 31, 2007

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>May 1</i>	<i>November 1</i>			
2008	\$ 22,073	\$ 22,073	11/1/08	\$ 170,000	\$ 214,146
2009	19,948	19,948	11/1/09	190,000	229,896
2010	17,383	17,383	11/1/10	185,000	219,766
2011	14,515	14,515	11/1/11	180,000	209,030
2012	11,478	11,478	11/1/12	205,000	227,956
2013	7,787	7,787	11/1/13	195,000	210,574
2014	<u>4,180</u>	<u>4,180</u>	11/1/14	<u>220,000</u>	<u>228,360</u>
	<u>\$ 97,364</u>	<u>\$ 97,364</u>		<u>\$ 1,345,000</u>	<u>\$ 1,539,728</u>

Village of Middleville

SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$205,000 2006 BARRY COUNTY WATER CONTRACT PAYABLE

December 31, 2007

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>April 1</i>	<i>October 1</i>			
2008	\$ 2,072	\$ 2,072	4/1/08	\$ 10,000	\$ 14,144
2009	1,968	1,968	4/1/09	10,000	13,936
2010	1,859	1,859	4/1/10	10,000	13,718
2011	1,753	1,753	4/1/11	10,000	13,506
2012	1,647	1,647	4/1/12	10,000	13,294
2013	1,541	1,541	4/1/13	10,000	13,082
2014	1,434	1,434	4/1/14	10,000	12,868
2015	1,328	1,328	4/1/15	10,000	12,656
2016	1,222	1,222	4/1/16	10,000	12,444
2017	1,116	1,116	4/1/17	10,000	12,232
2018	1,009	1,009	4/1/18	10,000	12,018
2019	903	903	4/1/19	10,000	11,806
2020	797	797	4/1/20	10,000	11,594
2021	691	691	4/1/21	10,000	11,382
2022	584	584	4/1/22	10,000	11,168
2023	478	478	4/1/23	10,000	10,956
2024	372	372	4/1/24	10,000	10,744
2025	266	266	4/1/25	10,000	10,532
2026	159	159	4/1/26	15,000	15,318
	<u>\$ 21,199</u>	<u>\$ 21,199</u>		<u>\$ 195,000</u>	<u>\$ 237,398</u>

Village of Middleville**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS****\$1,040,000 2006 BARRY COUNTY WATER CONTRACT PAYABLE**

December 31, 2007

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>April 1</i>	<i>October 1</i>			
2008	\$ 11,050	\$ 11,050	4/1/08	\$ 40,000	\$ 62,100
2009	10,625	10,625	4/1/09	45,000	66,250
2010	10,147	10,147	4/1/10	45,000	65,294
2011	9,669	9,669	4/1/11	45,000	64,338
2012	9,191	9,191	4/1/12	45,000	63,382
2013	8,713	8,713	4/1/13	45,000	62,426
2014	8,234	8,234	4/1/14	50,000	66,468
2015	7,703	7,703	4/1/15	50,000	65,406
2016	7,172	7,172	4/1/16	50,000	64,344
2017	6,641	6,641	4/1/17	50,000	63,282
2018	6,109	6,109	4/1/18	50,000	62,218
2019	5,578	5,578	4/1/19	55,000	66,156
2020	4,994	4,994	4/1/20	55,000	64,988
2021	4,409	4,409	4/1/21	55,000	63,818
2022	3,825	3,825	4/1/22	55,000	62,650
2023	3,241	3,241	4/1/23	60,000	66,482
2024	2,603	2,603	4/1/24	60,000	65,206
2025	1,966	1,966	4/1/25	60,000	63,932
2026	1,328	1,328	4/1/26	60,000	62,656
2027	691	691	4/1/27	65,000	66,382
	<u>\$ 123,889</u>	<u>\$ 123,889</u>		<u>\$ 1,040,000</u>	<u>\$ 1,287,778</u>

Village of Middleville

DOWNTOWN DEVELOPMENT AUTHORITY

SCHEDULE OF ADVANCE RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$310,387 2002 LONG-TERM ADVANCE FROM GENERAL FUND

December 31, 2007

<i><u>Fiscal period</u></i>	<i><u>Interest July 1</u></i>	<i><u>Maturity date</u></i>	<i><u>Principal</u></i>	<i><u>Total requirements</u></i>
2008	\$ 9,272	7/1/08	\$ 28,182	\$ 37,454
2009	7,947	7/1/09	28,182	36,129
2010	6,623	7/1/10	28,182	34,805
2011	5,298	7/1/11	28,182	33,480
2012	3,974	7/1/12	28,182	32,156
2013	2,649	7/1/13	28,182	30,831
2014	<u>1,325</u>	7/1/14	<u>28,131</u>	<u>29,456</u>
	<u>\$ 37,088</u>		<u>\$ 197,223</u>	<u>\$ 234,311</u>

June 11, 2008

Members of the Village Council
Village of Middleville, Michigan

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Middleville for the year ended December 31, 2007, and have issued our report thereon dated June 11, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 29, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Middleville are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the Village of Middleville during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Village's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended December 31, 2007.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village of Middleville's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Village of Middleville as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Middleville's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- Special assessment receivable balances were not reconciled to their respective general ledger control accounts in a timely manner. This is a recurring comment.
- The Village has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Village has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Village Council of the Village of Middleville and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.